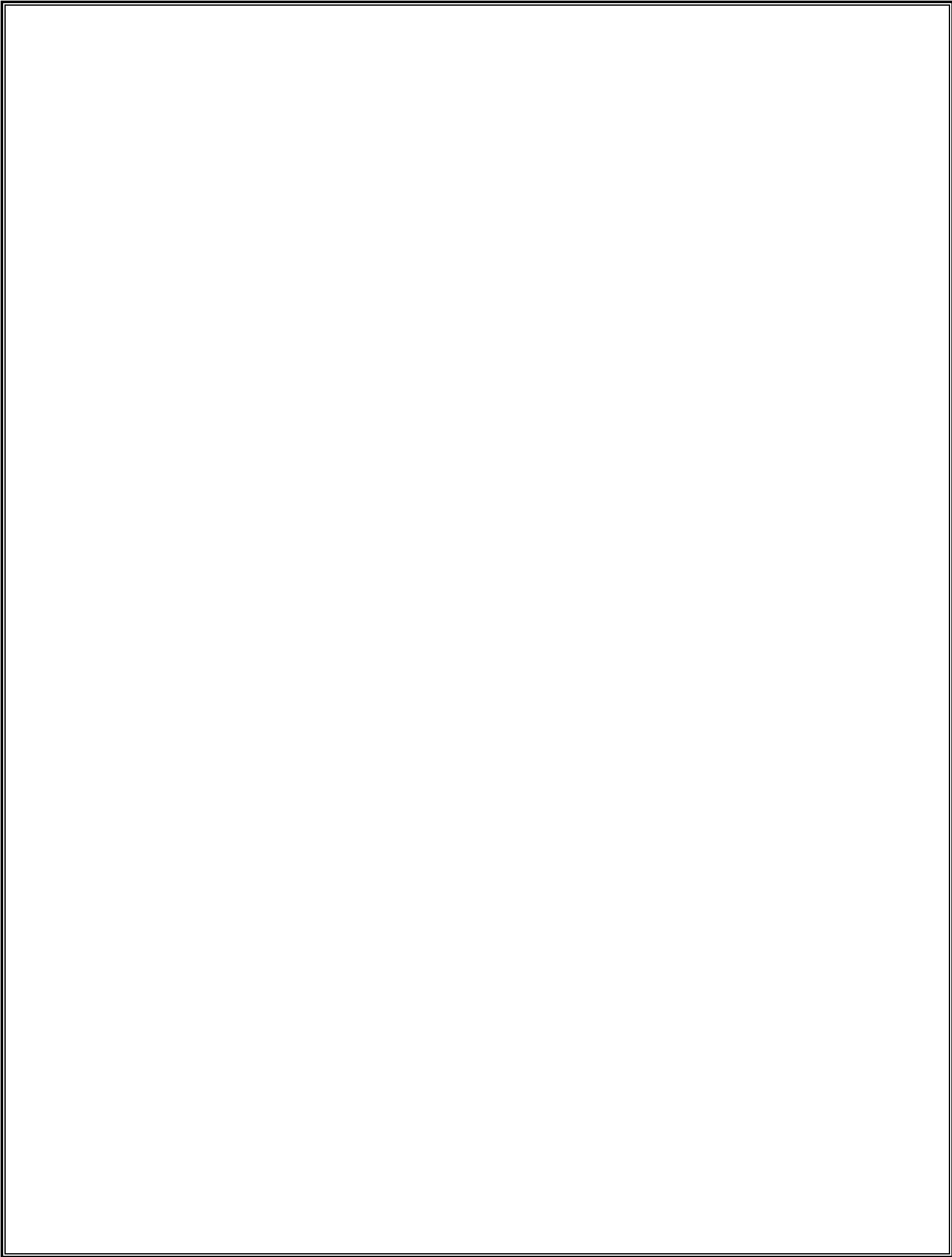


# **BUDGET TRANSMITTAL LETTER**



May 23, 2002

Honorable Mayor and Members of the City Council:

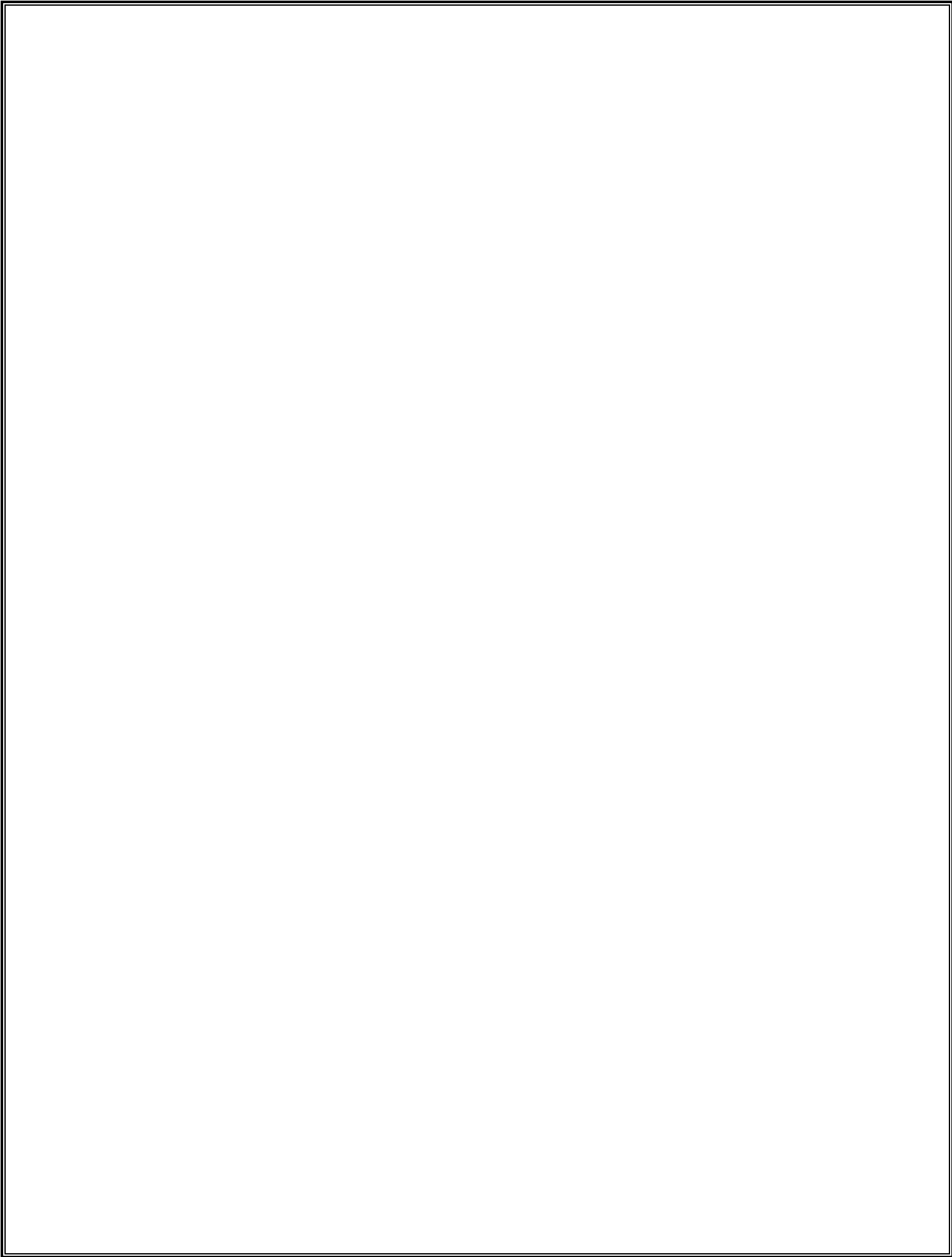
Presented for your consideration is the adopted budget for fiscal year 2003, which represents changes to the spending plan adopted in June 2001 and amendments approved since adoption. The resource allocations presented in this document include adequate funding to maintain the current high levels of service in all areas and some minor service level increases, which is a significant accomplishment given the City's rapid growth, a slowing economy due in part to the September 11 terrorist attacks, and the lingering effects from the unresolved statewide energy crisis.

The adopted budget for fiscal year 2003 represents a comprehensive spending plan for all Funds totaling \$214.4 million, a 34.7% decrease from the amended fiscal year 2002 budget of \$328.1 million. The decrease is the result of a small number of very large one-time appropriations in the current year, such as the almost \$52 million for the Police Headquarters

***The fiscal year 2003 budget represents a comprehensive spending plan for all Funds totaling \$214.4 million, a 34.7% decrease from the fiscal year 2002 amended budget of \$328.1 million.***

Project. The adopted General Fund operating budget totals \$109 million, which is a 3.2% increase over the fiscal year 2002 amended operating budget of \$105.6 million. Estimated revenues for the General Fund are projected at levels sufficient to fund the operating budget without the need to dip into reserves.

However, at the time this document went to press, two potentially significant issues remained outstanding, neither of which are reflected in the fiscal year 2003 budget. First, we have recently received updated cost estimates from the California Public Employee's Retirement System (CALPERS) for the retirement benefits included in all current labor memorandums of understanding. These estimates are significantly more costly than the previous estimates and would require immediate increases in the City's employer contributions of between \$1.5 and \$2 million to CALPERS as compared to the previous estimates that drew on reserves, but required no contributions for at least seven years. The unanticipated increase in costs was caused by the rapid growth in the City's workforce, recent compensation adjustments, and very poor CALPERS investment results over the last 18 months. We have retained an independent consultant to review the recent estimates and initiate further discussions with CALPERS with the goal of minimizing the near-term cost impact of the enhancements. Second, the cost of providing employee health insurance continues to increase. We have been warned to expect a second consecutive year of double digit percentage increases unless we exercise options available to make our plan more affordable. It is estimated that for every 10% increase in health insurance costs, the budgetary impact for the second half of fiscal year 2003 will be \$182,000.



## **SUMMARY OF EFFORTS AND ACCOMPLISHMENTS**

The City of Chula Vista is entering the second year of its inaugural biennial budget process. Prior to the first year of this two-year cycle the City Council participated in a public goal-setting workshop with the intent of better integrating long-range planning with resource allocation. At this workshop Council established funding priorities for several key service areas including economic development and neighborhood revitalization, public safety, leisure activities, infrastructure maintenance, and public involvement and communication. This brief summary of the major funding initiatives established during fiscal year 2002 and carried forward into fiscal year 2003 is presented in a format that reflects these priorities.

### **ECONOMIC DEVELOPMENT AND NEIGHBORHOOD REVITALIZATION**

Funding of economic development and revitalization initiatives continue to be a top priority. During the prior fiscal year staff made significant progress towards completion of a citywide economic development strategy (EDS) (\$160,000). Work will continue throughout fiscal year 2003 and when completed the EDS will be incorporated as a key element of the City's General Plan update. In this capacity the EDS will serve to proactively identify economic development strategies and opportunities for the City that will help insure Chula Vista retains a healthy, vibrant, and balanced economy through the year 2020 and beyond.

The Business Response Team (BRT), an executive level inter-departmental team whose mission is to help define and implement citywide economic development strategies, continues to actively pursue economic development opportunities including business recruitment and retention. During fiscal year 2002 the BRT had many successes including the successful recruitment of DNP Electronics America, Hitachi Home Electronics, and Leviton Manufacturing Company to the Eastlake Business Center. Combined these companies will add nearly 500 new high paying jobs to Chula Vista's labor market.

Over the course of the coming fiscal year the BRT will continue to be actively involved with recruiting additional companies to the City in addition to playing a key role in the formation of an economic development marketing plan and image campaign that will further enhance business recruitment. The upscale restaurant industry is specifically being targeted and a consultant has been hired to lead this initiative.

In accordance with the adopted general development plans for the master planned communities, there has been a significant amount of residential development during the past few years. A major focus over the next couple of years will be commercial development. Staff is currently working with the development community on several major shopping centers including Eastlake Village Center North, the Eastlake land swap property and the Otay Ranch freeway commercial site. These projects have various mixes of stores, shops and restaurants. In the near future staff will also be initiating the focused planning process for the Otay Ranch Eastern Urban Center, which will include commercial, office and residential opportunities.

Significant progress was made to revitalize the City's redevelopment project areas in fiscal year 2002. These projects include:

- Phase I of the Gateway office project at the corner of Third Avenue and H Street,
- The Storefront Renovation program for Third Avenue and H Street from Interstate 5 to Broadway, and
- The Main Plaza mixed use residential and commercial project at Broadway and Main.

In addition to making progress on specific beautification projects, staff anticipates completing the process for amending the Town Centre I/II and Southwest Redevelopment Project Area Plans by August 2003. This amendment process will enable the City to incorporate additional blighted properties such as the Broadway corridor, the Third Avenue corridor (South of I to Naples), and the E and H Street entry corridors from Interstate 5.

Lastly, the City obtained over 585 acres of land designated as a future university site during the past fiscal year. Staff will work closely with neighboring property owners in the coming months to update the City's General Plan and Otay Ranch General Development Plan, with the goal of eventually acquiring a total of 1,100 acres to be made available for a major university.

## **PUBLIC SAFETY SERVICES**

Last fiscal year saw significant enhancements in public safety services including increases in police staffing, and operational changes and technological advances in both Police and Fire that will improve response times and enhance service to the community. In the Police Department three accomplishments were particularly noteworthy. First, the team-policing concept was successfully implemented (\$505,000). This innovative approach to policing improves the effectiveness of existing staff by enhancing training and has reduced response times by increasing beat coverage in eastern Chula Vista. Second, the Advance Hire Program authorized in fiscal year 2002 is being utilized to reduce vacancy rates by allowing up to five officers to be hired prior to vacancies existing. Finally, fiscal year 2002 saw a significant expansion of the School Resource Officer Program with the addition of four school resource officers, one police agent and one sergeant, assuring that Chula Vista's campuses remain safe and secure learning environments (\$510,000).

Fiscal year 2002 also brought numerous changes to the City's Fire Department. First, Council approved a reorganization of the Fire Department management structure that will allow the department to effectively address new issues such as disaster preparedness and homeland security while continuing to ensure the delivery of quality fire services as the City continues to grow (\$257,000). Second, fire dispatch services were moved to Heartland Joint Powers Authority. Staff anticipates that average response times could be reduced by as much as 30 seconds due to the "pre-alert" technology utilized by Heartland that allows emergency crews to be alerted prior to all information related to the call being received (\$252,000). Finally, staff completed successful negotiations for a three-year agreement with American Medical Response for the provision of basic and advanced life support ambulance services. As a result Chula Vista's base rates are the lowest in the County of any non-subsidized provider.

Additionally, response times are guaranteed to be 10 minutes for 90% of all advanced life support (ALS) emergency calls and 20 minutes for all basic life support (BLS) emergency calls.

For fiscal year 2003, the adopted budget includes funding to improve the City's use of technology for crime prevention. The Tough on Crime (TOC) program identifies crime trends and uses mapping capabilities to ensure that officers have access to real-time information about crime occurring in their beats. This tool enhances the department's ability to proactively identify emerging crime problems and communicate this information directly with patrol officers.

The Police Department is also taking proactive steps to address the issue of automobile theft. Chula Vista's Police Department was recently selected as one of five agencies across the country to participate in a project to reduce theft of and from automobiles. This project, funded by the Office of Community Oriented Policing Services (COPS), is designed to test the application of problem-solving guidebooks. Police staff will use the guidebook relating to theft of and from automobiles in public lots to assess its effectiveness at impacting the problem.

There is currently work underway to integrate the City's computer aided dispatch (CAD) system with the City's geographic information system (GIS) to facilitate the adding of new streets to the CAD system. This new \$117,000 software will take the regularly updated street name files coming from GIS and Planning, and import the data directly into the Police Department's CAD system. This new system will be a significant improvement over the current system of manually updating the street name data files and will provide police officers with the most current street information when responding to calls.

A study of public safety dispatch staffing levels is currently under way and expected to be completed in November 2002. This study will result in the development of a workload-based model for dispatch staffing, taking into account the transfer of fire dispatching from the City's dispatch center to Heartland. This is important, as dispatch service is a key component of patrol effectiveness and response time.

In Fall 2003 the Fire Department will open its newest fire station in the Otay Ranch where the City's first light and air rescue truck will be housed. These improvements are described in more detail in the subsequent section.

This fiscal year adopted budget also includes the purchase of 15 automated electronic defibrillators (AEDs) to be placed throughout the City including: the Nature Center, Norman Park Senior Center, Council Chambers, City Hall, Chula Vista Community Youth Center, the Police Department, and the new Public Works Center, as recommended by the Safety Committee (\$35,200). Sudden cardiac arrest kills approximately 350,000 people in the United States each year. Widespread deployment of AEDs in public places will give victims a better chance for survival.

## **INFRASTRUCTURE MAINTENANCE & CAPITAL IMPROVEMENT**

### ***INFRASTRUCTURE MAINTENANCE***

Infrastructure maintenance continues to be a high priority as reflected in the City's increased funding for street maintenance, park maintenance, urban forestry, and work management systems to increase operational efficiency. Recent staffing increases have allowed the City to maintain safety standards, reduce City liability and increase the effectiveness of parking and traffic controls even as the City continues to experience rapid growth. In fiscal year 2002 the City significantly increased its production and placement of signage and pavement markers, trimming of potentially hazardous and/or line-of-sight impairing trees, and proactive street maintenance practices such as crack sealing that serve to prolong street life and reduce future repair costs. Regular crack sealing can save the City hundreds of thousands of dollars by reducing the need for full street reconstruction projects.

The fiscal year 2003 budget includes funding for the addition of two full-time permanent positions. A gardener I is being added to assist with the maintenance of approximately 18 acres of new park and landscaped areas that will be turned over to the City during the coming year (\$39,000). An electronics technician is needed to accommodate the increased demand for electronic repairs and maintenance citywide brought about by the ever-increasing sophistication of the City's technological equipment (\$60,000).

A major improvement in operational efficiency will be brought about by the implementation of several new work management systems (\$1.17million). Phase 1 of the Public Works Information Systems Modernization/Expansion Project has been completed. This upgraded system reduces paper tracking, links service requests and backlogs with jobs, and allows management to better plan and schedule work and evaluate crew performance and workload. The new system's emphasis is on meeting public needs, by changing the focus from measuring performance after the fact to scheduling and planning work based on service requests and work orders. The fiscal year 2003 budget includes funding for implementation of phases 2 and 3 of the project, which will further enhance the system with storm drain, street, and closed circuit television modules.

The fiscal year 2003 budget also includes funding for a supervisory control and data acquisition (SCADA) system (\$873,000). The SCADA system will provide an alarm system for controlling and monitoring sewer lift stations, swimming pools, the Nature Center's water circulation equipment, and large diameter sewer truck lines located in remote areas. This system will enable crews to put more of an emphasis on preventive maintenance by providing real-time monitoring, instantaneous alarm notification, and computerized control of equipment and critical systems.

A major challenge facing the City over the next few years will be implementation of the new National Pollutant Discharge Elimination System (NPDES) regulations. While the full impact of these regulations won't be known until the City, along with all other cities in San Diego County, start the implementation and enforcement process, there is little doubt that there will be additional staffing needed. City departments will be working together to assess the most cost-effective ways to comply with these regulations and develop a fair and equitable fee structure to address the new costs the regulations impose.



## ***CAPITAL IMPROVEMENT PROGRAM***

The fiscal year 2002 Capital Improvement Program (CIP) demonstrated Council's commitment to addressing deferred street maintenance through the largest street resurfacing program in the history of the City with over \$7 million of paving work completed on streets throughout the City. This resurfacing program will continue in fiscal year 2003 with a \$2.3 million program. Other major road projects completed in fiscal year 2002 include the rehabilitation of Bonita Road along with much needed drainage improvements at a cost of \$647,000 and the on-going reconstruction of Main Street as a joint project with the construction of the Salt Creek Trunk Sewer (\$3.8 million). An additional \$907,000 in funding was included for the aggressive replacement of deteriorating corrugated metal pipes (CMP) in the City. These drains are typically found in the older portions of the City and replacing them before they fail will remain a top priority for the next several years. Lastly, work on the new Public Works Center was completed in April 2002 and the facility is now fully operational (\$35 million).

The City's aggressive capital improvement campaign continues in fiscal year 2003 with a CIP budget in excess of \$27 million. The largest of the capital projects currently taking place is construction of a new 140,000 square foot police facility at the corner of F Street and Fourth Avenue. Ground breaking for this facility occurred in April 2002 and construction is currently ahead of schedule, moving the estimated completion date up to spring 2004.

Construction will also begin on the new \$7.7 million Otay Ranch Fire Station during the coming fiscal year with an opening date currently slated for Fall 2003. When completed the station will serve as the primary fire station for the eastern portion of the City and will include four vehicle bays, house twelve fire fighters and provide a neighborhood police counter. In addition to pump and ladder trucks this facility will house the City's first light and air rescue truck. This vehicle will provide emergency rescue crews with advanced lighting, air supply, and vehicle extradition capabilities.

Several new parks are slated for renovation during fiscal year 2003 including Otay Park (\$1.2 million), Feaster School Playground (\$151,000), Tiffany Park (\$98,500), and Hilltop Park (\$316,000). A significant improvement project is scheduled for the Gayle L. McCandliss Park that includes installation of ADA accessible walkways, tot lot improvements, site furnishing upgrades, security lighting, irrigation system renovation and new plant material at a cost of \$380,000. Lastly, Greg Rogers Skate Park, the first skate/skateboard dedicated facility in the City, is scheduled for completion prior to the end of the fiscal year at a cost of \$1.5 million.

Traffic management was also improved during fiscal year 2002 with the completion of several major roadways including:

- Olympic Parkway from Oleander Avenue to Heritage Road (\$3.3 million City-funded, \$23 million developer-funded),
- Heritage Road from East Palomar Street to Olympic Parkway (\$2 million developer-funded), and
- East Palomar Street through Otay Ranch and Sunbow (\$5.3 million developer-funded).

However, traffic congestion continues to be a problem, particularly in eastern Chula Vista. Therefore, the fiscal year 2003 budget allocates considerable funding to additional street construction including the completion of Olympic Parkway through Otay Ranch and McMillan Otay Ranch.

Other significant capital improvement projects include continued improvements to the Olympic Parkway/I-805 interchange and construction of the Salt Creek Trunk Sewer.

## **LEISURE SERVICES**

During the past year, public participation in the City's many recreational and leisure activities and programs increased significantly partly due to increased facilities. For example:

- Public use of recreational facilities for community meetings and similar events increased by 10%, for a total usage of 16,344 hours.
- Utilization of ball fields rose 32% from an attendance of 48,960 to 64,800, and
- Therapeutics programs experienced a remarkable 48% increase in participation with the number of users increasing from 800 to 1186 and the number of programs offered more than doubling from 22 to 48.

The Dynamic After School Hours (DASH) and Safe Time for Recreation, Enrichment and Tutoring for Children (STRETCH) programs continue to gain in popularity and can now be found at 22 locations citywide. The success of these programs is due partly to the emphasis placed on staff development and training. The programs are also popular for their innovative and engaging curriculum such as "Brain Training", a new cooperative game that emphasizes teambuilding. In fiscal year 2002 five DASH sites were added at Kellogg, McMillin, Marshall, Parkview, and Tiffany elementary schools. Three additional DASH sites will be added in fiscal year 2003: Arroyo Vista, Discovery and Heritage elementary schools (\$95,000).

This year the Literacy program continued to grow, impacting the lives of many Chula Vistans. Efforts included:

- Expanding the "LEAP" after school reading program to the Civic Center Branch Library,
- Introducing "Baby Time" – a new lap sit story time for infants and toddlers at the South Chula Vista Branch Library,
- Partnering with the Chula Vista Adult School to introduce a new adult English as a Second Language class at the South Chula Vista Branch Library,
- Partnering with the Mexican consulate to offer Spanish literacy tutoring at the South Chula Vista Branch Library, and
- Partnering with the Chula Vista Elementary School District to offer 10 "PACT" (Parents and Children Together) events for approximately 35 Even Start families.

During the past fiscal year the Library accomplished many tasks that will significantly enhance its ability to meet the public's needs. First, the Library completed its strategic plan, which identifies strategic initiatives and service responses and outlines very tangible goals and objectives to implement these service responses (\$25,000). Second, the grant-funded 24/7 Reference Pilot Program was initiated. This web-based application allows a Library patron to "talk" with a reference librarian using a built-in chat function. The virtual librarian uses the collaborative browsing tool to guide the customer to a web site, power point presentation, a text file, or other electronically accessible database. After a session, the patron is automatically e-mailed a transcript of the session and all the websites visited. Lastly, beginning July 2002 the South Chula Vista Branch Library hours will be expanded to respond to community needs. The new hours will be: Monday-Thursday 10am to 8pm, Friday and Saturday 12 Noon to 6pm, and Sunday 1-5pm (\$92,000).

In addition, further enhancements are being made in the variety and amount of recreation services available to residents. Recreational programming continues to be expanded throughout the City via satellite programs at schools, senior housing complexes, and trailer parks through partnerships and collaboration with other agencies. This type of programming is particularly important for residents in the eastern portion of the City where recreational facilities have yet to be constructed. Another enhancement is a new pilot day camp program slated to begin in June 2002. The idea behind the camp is to provide recreational activities to children during school breaks. The initial camp will be held at Heritage Elementary School and will serve approximately 30 children. The camp will be moved to the Heritage Park Community Center when the facility is completed and fully operational (currently slated for Summer 2002). If successful the intersession camps, which will be funded through user fees, will be expanded to other areas of the City.

A great learning opportunity will be enhanced with the grand opening of the *David A. Wergeland Shark and Ray Experience* scheduled for Fall 2002. Through the efforts of Nature Center staff and volunteers nearly \$500,000 was raised toward constructing this state-of-the-art, 20,000-gallon super-aquarium and interactive educational exhibit.

## **PUBLIC INVOLVEMENT AND COMMUNICATION**

The City continues to make a concerted effort to engage the community and increase public participation in the decision-making and planning process. At the forefront of these efforts is the City's General Plan update (GPU) outreach program. The GPU outreach program was launched on April 27, 2002 at the Chula Vista Vision 2020 Community Festival. Public input into the GPU will continue through the Visioneer Program, which trains citizens to gather input regarding community needs and desires from friends, neighbors, community organizations and clubs.

Similar public outreach will occur during the development of a new strategic plan for the Recreation Department. It is envisioned that this process will culminate in a community assessment and evaluation analysis of current recreational programming that will help the City determine the best strategy for meeting the community's future recreational needs.

The City is also making numerous efforts to maintain and enhance its high standards for community service. First, the City has hired a Web consultant to assist with the development of a more user-friendly website. When completed in 2003 residents, businesses, and visitors will have much better and more user friendly access to pertinent information such as Council agendas, budget information, and employment opportunities. Prospective employees will also have access to an online employment application, which could potentially enhance employee recruitment (\$113,000). Second, the City has implemented a mandatory customer-training program. This training will be merged with the existing new employee orientation program in addition to being presented throughout the organization. Third, as part of the City's effort to strengthen performance measurement, staff is planning to conduct a citizen survey in the coming year. The survey is intended to elicit citizen feedback on knowledge and utilization of various City services as well as satisfaction with those services (\$15,000). Lastly, the Building Division is implementing an interactive voice response (IVR) scheduling system, which will enable customers to schedule, cancel, or monitor results of building inspections using a touch-tone phone (\$32,000).

## BUDGET SUMMARY – GENERAL FUND

The General Fund operating budget for fiscal year 2003 totals \$109 million. This amount includes the spending plan adopted in June, 2001 totaling \$103 million, Council approved amendments to that plan during fiscal year 2002 totaling \$5.5 million, and finally, additional amendments totaling \$417,231 that were approved by Council during the fiscal year 2003 budget process. This total represents a \$3.4 million or 3.2% increase over the fiscal year 2002 amended budget of \$105.6 million.

***The General Fund operating budget for fiscal year 2003 totals \$109 million ...a 3.2% increase over the fiscal year 2002 amended budget of \$105.6 million.***

The most significant previously approved amendments include:

- Compensation increases pursuant to negotiated labor agreements (\$2.97 million with offsetting revenue of \$1 million for a net cost of \$1.97 million),
- Full-year funding for 17.5 new permanent positions, and miscellaneous reclassifications, primarily in the Public Works, Planning & Building, and Police Departments (\$1.4 million with offsetting revenue of \$0.9 million for a net cost of \$0.5 million),
- Establishment of the Nature Center as a General Fund department (\$856,000 with offsetting revenue of \$658,000 from Redevelopment Agency reimbursements and program fees), and
- Acceptance of a Natural Community Conservation Planning (NCCP) grant for a consultant to perform biological studies (\$228,000).

The most significant amendments approved during the budget process include:

- Unexpended Police Department grant revenue rolled over from the current year for computer and other equipment (\$813,000),
- Funding for health insurance enhancements included in employee flexible benefit plans (\$417,000 with offsetting program revenue of \$120,000 for a net cost of \$297,000),
- Funding for previously approved miscellaneous compensation adjustments such as reclassifications and corrections (\$300,000 with offsetting program revenue of \$70,000 for a net cost of \$230,000),

- Increased funding for hourly wages in the Recreation Department primarily to staff operations at the new Heritage Park Community Center (\$85,000 with offsetting program revenue of \$45,000 for a net cost of \$40,000),
- Reductions in various utility accounts based on current year savings resulting from lower than expected utility rates and ongoing citywide conservation efforts (\$750,000),
- Reductions in various contractual services accounts based on current year actual experience (\$450,000), and
- Net reduction in debt service cost (\$215,401).

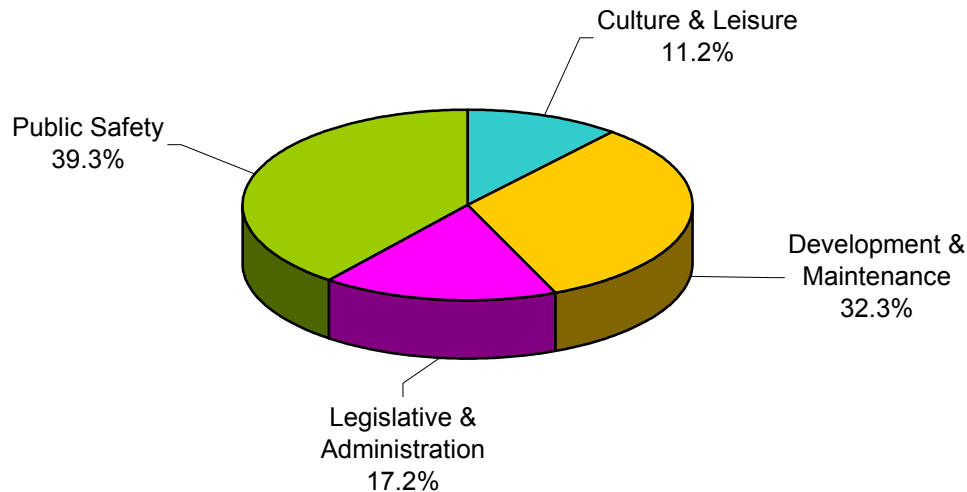
In addition, the fiscal year 2003 budget includes \$542,600 for capital projects; \$359,600 to fund the General Fund's share of a new air & light rescue vehicle for the Fire Department and \$183,000 in grant funding to be added to the new Nature Center petting pool project.

**General Fund  
Budget Summary  
In Thousands (000)**

	FY01	FY02		FY03	
	Amended	Amended	Change	Adopted	Change
Personnel Services	\$ 66,574	\$ 75,520	\$ 8,946	\$ 81,978	\$ 6,458
Supplies & Services	\$ 18,281	\$ 21,977	\$ 3,696	\$ 21,408	\$ (569)
Other Expenses	\$ 823	\$ 2,048	\$ 1,225	\$ 779	\$ (1,269)
Operating Capital	\$ 1,901	\$ 1,897	\$ (4)	\$ 1,004	\$ (893)
Debt Service/Transfers Out	\$ 5,584	\$ 4,202	\$ (1,382)	\$ 3,795	\$ (407)
<b>Total Operating Budget</b>	<b>\$ 93,163</b>	<b>\$ 105,644</b>	<b>\$ 12,481</b>	<b>\$ 108,964</b>	<b>\$ 3,320</b>
Capital Projects	\$ 1,522	\$ 6,065	\$ 4,543	\$ 543	\$ (5,522)
<b>Total General Fund Budget</b>	<b>\$ 94,685</b>	<b>\$ 111,709</b>	<b>\$ 17,024</b>	<b>\$ 109,507</b>	<b>\$ (2,202)</b>
<b>Permanent Positions</b>	<b>1010.75</b>	<b>1060.25</b>	<b>49.5</b>	<b>1,063.00</b>	<b>2.75</b>

Functionally, as can be seen in the following chart, public safety services continue to represent the largest percentage of the budget (39.3%) followed by development and maintenance services (32.3%).

### General Fund Budget by Major Groups Fiscal Year 2003



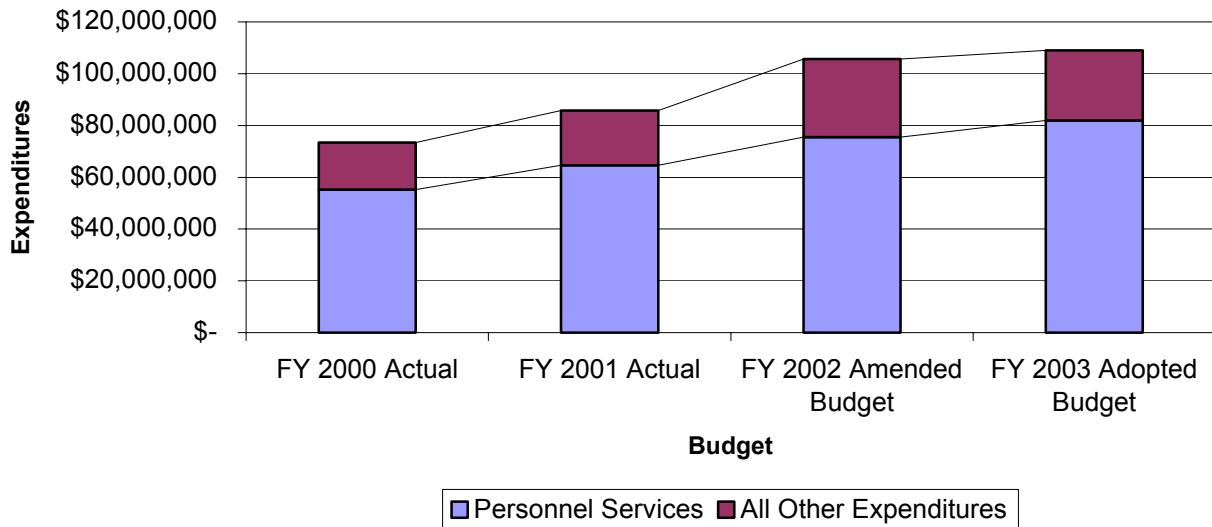
On a departmental basis, the fiscal year 2003 budget provides Administration with the largest dollar increase amounting to \$1.7 million (46.9%) followed by the Police Department (\$1.2 million, 3.8%). The increase to Administration is also the largest percentage increase. This unusually large increase for Administration is related to the establishment of the Office of Parks & Building Construction including the Landscape Architecture & Park Design Unit previously located in the Parks & Recreation Department and the Building Construction Unit previously located in the Engineering Division. The increase in the Police Department budget is primarily due to negotiated labor compensation increases and grant rollovers.

### **SALARY AND BENEFITS**

Employee salaries and benefits (collectively referred to as personnel service expenditures) have historically comprised the largest component of General Fund expenditures. For fiscal year 2003 expenditures on personnel services represent 75% of total General Fund operating appropriations. This is somewhat higher than fiscal year 2002 where expenditures on personnel services represented 71% of operating appropriations.

The following graph depicts actual and/or budgeted expenditures on personnel services relative to all other operating expenditures for fiscal years 2000 through 2003.

### General Fund Personnel Services Expenditures Fiscal Years 2000 - 2003



This large commitment of General Fund resources to personnel services mirrors the City's commitment to maintaining the most qualified and capable staff available. It is the ongoing policy of the City Council to attempt to compensate all classifications of non-safety personnel at levels above the median rate for similar jurisdictions. Furthermore, the memorandums of understanding between the City and police and fire personnel place these individuals among the highest compensated safety personnel in San Diego County. As noted earlier, we have recently received updated information from CALPERS that reflect a significant cost increase for the retirement benefits included in all labor memorandums of understanding. We are reviewing the information with the assistance of an independent consultant and will be attempting to minimize the near-term impact of these changes. Since this is a work in progress just recently begun, the fiscal year 2003 budget does not reflect any allowance for these increased costs. As mentioned earlier, the cost of providing employee health insurance continues to increase. We have been warned to expect a second consecutive year of double digit percentage increases unless we exercise options available to make our plan more affordable. It is estimated that for every 10% increase in health insurance costs, the budgetary impact for the second half of fiscal year 2003 will be \$182,000. No provision has been included in the fiscal year 2003 budget for these expected increases.



## **STAFFING ADJUSTMENTS**

During fiscal years 1999-2001, 193.5 permanent positions were added to the City workforce: 66 positions for development-related work; 52.5 positions in public safety; 28.5 positions to maintain the City's expanded park, street, sewer, facility and storm drain infrastructure; 9.75 positions to support expanded leisure services and; 37.5 positions in administrative and support departments to support expanded City operations and services. This pace of ramping up the work force is not continuing.

Fiscal year 2002 saw a net increase of 49.5 permanent positions. These positions were needed to maintain service levels in the growing City and to further enhance crime prevention and after school programs. The greatest number of positions added in fiscal year 2002 was in Public Works (16.5), primarily for park and infrastructure maintenance. Police added 11 positions and significantly expanded the School Resource Officer Program. Planning and Building added 7 positions in response to increased development processing workload and the general plan update. Numerous classification changes also occurred during the year as phases 1-3 of the classification study were completed and adopted by Council.

The adopted budget for fiscal year 2003 recommends adding a net total of only 2.75 permanent positions, primarily in response to growing maintenance needs and expanding hours at the South Chula Vista Library. During the year Council approved an amendment to the fiscal year 2003 spending plan transferring 10 positions from Recreation and 7 from Public Works to the new Office of Building and Park Construction. This reorganization has resulted in improved coordination, oversight and effectiveness of the City's largest ever building and park development effort. Changes related to departmental transfers and reclassifications are reflected in the departmental position counts; a summary of all new positions added during fiscal years 2002 and 2003 is presented on the following pages.

## New Positions for Fiscal Year 2002 by Department and Program

Department	Program	Position	#
Police (11)	School Resource Officer Program	Peace Officer	4
		Police Agent	1
		Police Sergeant	1
	Investigations-Family Protection	Comm. Serv. Officer	1
	Investigations-Cold Crimes	Investigative Aide	1
	Patrol Support Services	Admin Office Asst.	1
	Animal Facility Care	Reg. Veterinary Tech.	1
	Animal Facility Customer Service	Customer Serv. Rep.	1
Fire (1.75)	Fire Management Reorganization	Deputy Fire Chief	2
		Asst. Fire Chief	-1
		Fire Marshal	1
		Battalion Chief	-1
		Admin. Services Mgr.	0.75
Public Works (16.5)	Facility Maintenance	Custodian	3.5
		Construction Specialist	2
	Park Maintenance	Gardener	2
		Lead Ranger	1
	Open Space Maintenance	Sr. Open Sp. Inspector	1
	Fleet Maintenance	Sr. Equipt. Maint. Supvsr.	1
	Communications	Shop Technician	1
	Building CIP Oversight	Bldg. Projects Mgr.	1
		Bldg. Projects Supvsr.	1
	Storm Drain-NPDES Plan	Civil Engineer	1
	Inspections-Safety	Maintenance Worker	1
	Sewer Maintenance	Public Works Supervisor	1
Planning & Building (7)	Development Processing	Building Inspector	2
		Plans Examiner	2
		Development Svcs. Tech.	1
	General Plan Update	Planning Technician	1
		Secretary	1
Com. Dev. (2)	General Plan/Development Planning	Special Planning Proj. Mgr.	1
	Economic Development/Redevelopment	Community Dev. Specialist	1
Recreation (3.25)	New Facility Programming	Recreation Supervisor	1
	Middle School Prog.-Workload	Recreation Supervisor	1
	Existing Facility-Workload	Recreation Supervisor	1
		Sr. Lifeguard	0.25
Library (3)	After School Programs	Literacy Supervisor	1
		Extended Day Supvsr.	1
	Department & ODT Support	Ad. Office Specialist	1
Nature Center (1.5)	Grounds Maintenance	Nature Center Gardener	0.75
	Animal Care	Reg. Veterinary Tech.	0.75
Administration (3)	Building and Park CIP Oversight	Dir. of Bldg & Pk Constrctn	1
	Dev. Impact Fee Updates & Sys Dev.	Special Projects Manager	1
	Public Information	Graphic Designer	1
Finance (.5)	Payroll Support-Workload	Accounting Assistant	0.5
<b>Total Positions Fiscal Year 2002 All Funds</b>			<b>49.5</b>

**New Positions added in Fiscal Year 2003  
by Department and Program**

Department	Program	Position	#
Public Works (2)	Radio Maintenance	Electronics Technician	1
	Park Maintenance	Gardener	1
Library (1.75)	Additional South Chula Vista Library hours	Librarian I	0.75
		Library Associate	0.5
		Circulation Assistant	0.5
Police (-1)	Reduction in AVA Grant & Pilot Completion	Community Service Officer	-1
<b>Total New Positions (All Funds)</b>			<b>2.75</b>

Finally, in January 2003, concurrent with the retirement of the current Public Works Director, the Public Works Department will be split into two independent departments: Engineering and Public Works Operations. This reorganization will enable each department to strengthen its management structure and better respond to the growing complexity and workload in development, and infrastructure capital and maintenance and also result in a small budgetary savings of \$20,000 in fiscal year 2003 and \$50,000 in subsequent years. The personnel changes that will take place effective January 2003 as a result of this reorganization are presented below.

**Position Changes in Public Works Operations and Engineering  
Effective January 2003**

Department	Position	#
Engineering	Director of Public Works (Executive Mgmt)	-1
	Director of Engineering (Executive Mgmt)	+1
	Deputy Director of Public Works (Sr. Mgmt)	-1
	Deputy Director of Engineering (Sr. Mgmt)	+3
	Senior Civil Engineer (Mid. Mgmt)	-3
Public Works Operations	Deputy Director of Public Works (Sr. Mgmt)	-1
	Director of Public Works Operations (Executive Mgmt)	+1
	Asst. Director Public Works Operations (Sr. Mgmt)	+1
	Sr. Engineer (Mid. Mgr)	-1
	Deputy Director of Parks (Mid Mgr)	-1
	Building Services Superintendent (Mid Mgr)	-1
	Building Services Manager (Sr. Mgr)	+1
	Parks and Open Space Manager (Sr. Mgr)	+1
Grand Total		-1

## **GENERAL FUND REVENUES**

The City has identified an amount of revenue sufficient to support the budget with no impact on the estimated beginning General Fund balance, i.e., the budget is funded without the use of reserves. The

reserve balance at the beginning of the fiscal year 2002 was \$23.7 million. At this time it is projected that we will end fiscal year 2002 with a reserve level in excess of \$31.2 million. This represents a reserve level of 28.6% of the operating budget, as compared to the 8% target level adopted by Council.

***The City has identified an amount of revenue sufficient to support the adopted budget ... without the use of reserves.***

General Fund revenues for fiscal year 2003 are estimated to decrease approximately \$4.2 million from the \$113.7 million currently projected for fiscal year 2002. This decrease in revenue is primarily attributable to two factors that combined to inflate fiscal year 2002 revenues by over \$9 million. First, a one-time reimbursement of \$5.2 million was made to the General Fund from bond proceeds related to the initial construction phase of the new Police facility. Second, franchise fee revenue from natural gas operations during fiscal year 2002 reflected a tremendous spike of more than \$3.8 million reportedly due to pricing instability in the market and high usage by the South Bay Power Plant. Natural gas prices have since stabilized, resulting in a significant decrease in franchise fee revenue estimated for fiscal year 2003. If the effect of these unusual fluctuations were eliminated, estimated General Fund revenues for fiscal year 2003 would actually have increased nearly 4.4% over fiscal year 2002 projections. Although reflective of moderate growth, this is a significant reduction from the growth rates experienced during fiscal years 2001 and 2002. Please note also that the estimated revenues for fiscal year 2003 have been adjusted to reflect the loss of booking fee reimbursement revenue from the State (\$269,192), but include full continuation of the State backfill of the motor vehicle license fee reduction (\$7.29 million).

The table on the following page lists the various revenue categories comparing actual revenues for fiscal year 2001, projected revenues for fiscal year 2002, and estimated revenues for fiscal year 2003. The two categories showing the highest single year dollar increase between projected revenues for fiscal year 2002 and estimated revenues for fiscal year 2003 are charges for services (\$2.3 million or 18.9%) and property taxes (\$1.3 million or 9.8%) which is largely due to under-realized revenue in the current year, continued increased development activity, and updated full cost recovery rates.

**General Fund Revenues  
In Thousands (000)**

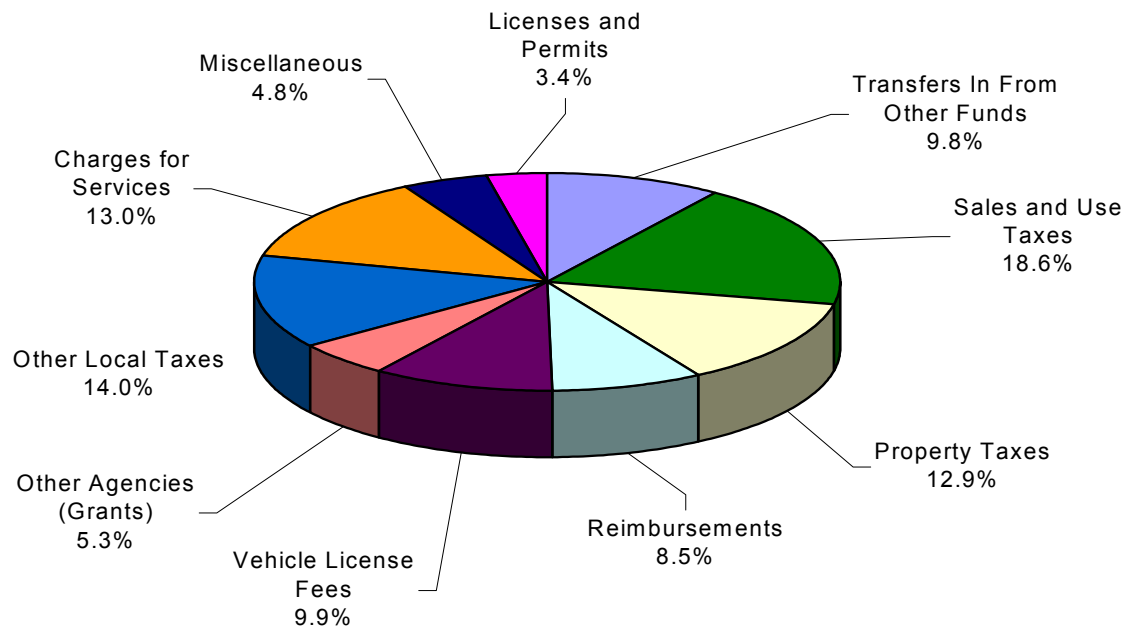
	FY 2001 Actual	FY 2002			FY 2003		
		Projected	Inc/(Dec)	% Change	Estimated	Inc/(Dec)	% Change
Charges for Services	\$ 12,148	\$ 11,929	\$ (219)	-1.8%	\$ 14,186	\$ 2,257	18.9%
Property Taxes	\$ 11,526	\$ 12,887	\$ 1,361	11.8%	\$ 14,154	\$ 1,267	9.8%
Sales and Use Taxes	\$ 18,820	\$ 19,385	\$ 565	3.0%	\$ 20,354	\$ 969	5.0%
Vehicle License Fees	\$ 9,214	\$ 10,000	\$ 786	8.5%	\$ 10,800	\$ 800	8.0%
Transfers In From Other Funds	\$ 8,060	\$ 15,340	\$ 7,280	90.3%	\$ 10,681	\$ (4,659)	-30.4%
Other Agencies (Grants)	\$ 5,602	\$ 5,637	\$ 35	0.6%	\$ 5,851	\$ 214	3.8%
Reimbursements	\$ 7,531	\$ 9,756	\$ 2,225	29.5%	\$ 9,260	\$ (496)	-5.1%
Licenses and Permits	\$ 4,395	\$ 3,864	\$ (531)	-12.1%	\$ 3,678	\$ (186)	-4.8%
Miscellaneous	\$ 5,245	\$ 5,940	\$ 695	13.3%	\$ 5,243	\$ (697)	-11.7%
Other Local Taxes	\$ 15,365	\$ 18,921	\$ 3,556	23.1%	\$ 15,300	\$ (3,621)	-19.1%
<b>Total General Fund Revenues</b>	<b>\$ 97,906</b>	<b>\$ 113,659</b>	<b>\$ 15,753</b>	<b>16.1%</b>	<b>\$ 109,507</b>	<b>\$ (4,152)</b>	<b>-3.7%</b>

Offsetting these estimated revenue increases are projected decreases in:

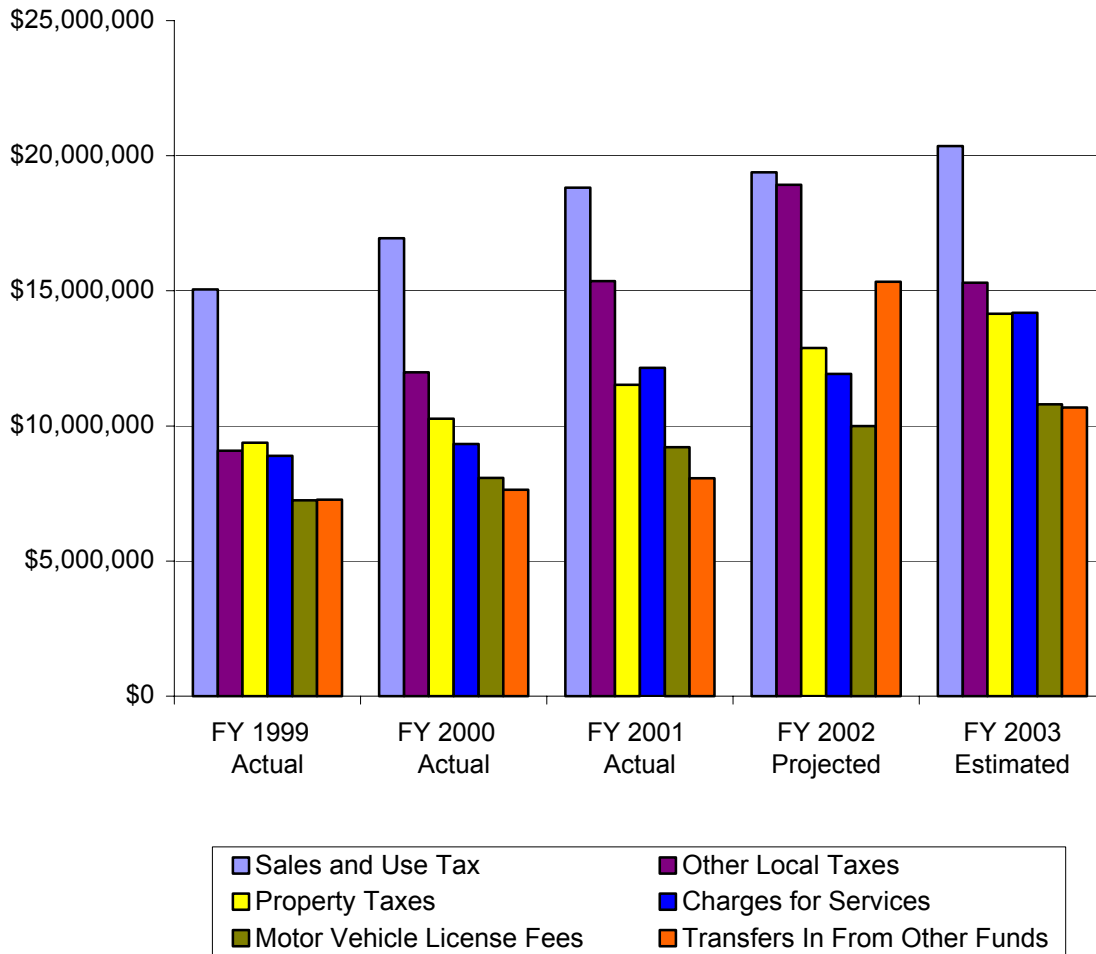
- Transfers in from other funds (-\$4.7 million or -30.4%) due primarily to a one-time reimbursement of \$5.2 million during fiscal year 2002 from bond proceeds related to the initial construction phase of the new Police facility,
- Other local taxes (-\$3.6 million or -19.1%) due to the reduction in franchise fee revenues on natural gas operations reportedly caused by recent instability in commodity prices as mentioned previously, and
- Miscellaneous revenues (-\$697,000 or -11.7%) due primarily to conservative investment earnings projections based on continued low interest rates available on investments and some one-time revenues received this fiscal year.

Two charts are presented on the following pages that further demarcate the sources of General Fund revenues. The pie chart shows various revenue categories as a percentage of total General Fund revenues for fiscal year 2003. The bar chart depicts a four-year history of actual revenues for fiscal years 1999-2002 and estimated revenues for fiscal year 2003 for the six largest revenue categories: sales and use tax, other local taxes, property taxes, charges for services, motor vehicle license fees, and transfers in from other funds.

**General Fund Revenues by Category  
Fiscal Year 2003**



## Historical and Estimated General Fund Revenue Sources Fiscal Years 1999 – 2003



### Sales and Use Tax Revenue

**\$20,353,998**

The City receives 1% in sales and use tax revenue from all taxable retail sales occurring within the City limits. These funds are collected by the State along with their 6.5% component of the sales and use tax and 0.25% designated for transportation for a total sales tax rate within San Diego County of 7.75 percent. Sales and use tax revenue is the City's single largest revenue source, accounting for 18.6% of total revenue for the General Fund. Although this revenue source increased by 12.6% and 11% during fiscal years 2000 and 2001 respectively, those years are viewed as welcome exceptions to long term trends indicating strong but moderate growth in the 5% to 8% range. The projection for fiscal year 2002 is for only 3% growth. The slow down is attributed to less cross-border traffic in the aftermath of the September 11

terrorist attacks, and to a general slowing in retail sales due in part to the mild recession experienced during this period. The forecast for fiscal year 2003 calls for renewed, but mild growth at a rate of 5% based on long-term trends and the City's continued rapid population growth. This is down from the 6.8% growth rate projected when the biennial spending plan was adopted.

It should also be noted that although the City's single largest source of revenue, sales and use tax per capita for the City is only \$96.75 compared to the County average of \$128.81 and the State average of \$130.45. This comparison indicates that the City's residents spend a high percentage of their retail dollars elsewhere, especially since recent studies have concluded that approximately 34% of our sales and use tax revenues are generated by cross-border shoppers. It seems clear that the City must continue to place a high priority on developing its retail business base by focusing on projects such as the auto park and eastern urban center in order to insure the City's long-term fiscal health.

## **Property Tax Revenue**

**\$14,154,354**

Under State law since 1979, property taxes for general government purposes are limited to 1% of the market value of the property assessed. Assessment of qualifying property, as well as collection and apportionment of tax revenues are all functions performed by the County. Increases to assessed values to reflect current market values are only allowed when property changes hands or when the property is improved. Otherwise, annual assessment value increases are limited to 2% or the increase in the consumer price index, whichever is lower. This revenue source increased by 9.3% and 12.3% during fiscal years 2000 and 2001 respectively. Due to the expected continued rapid growth in the eastern portion of the City, this revenue source is projected to grow by 11.8% for fiscal year 2002 and conservatively by 9.8% for fiscal year 2003.

Many residents believe that their property tax pays for local government. The reality is that the City of Chula Vista only receives an average of 14.7 cents out of every property tax dollar paid by City residents. This is less than the amount received by the school districts and the County.

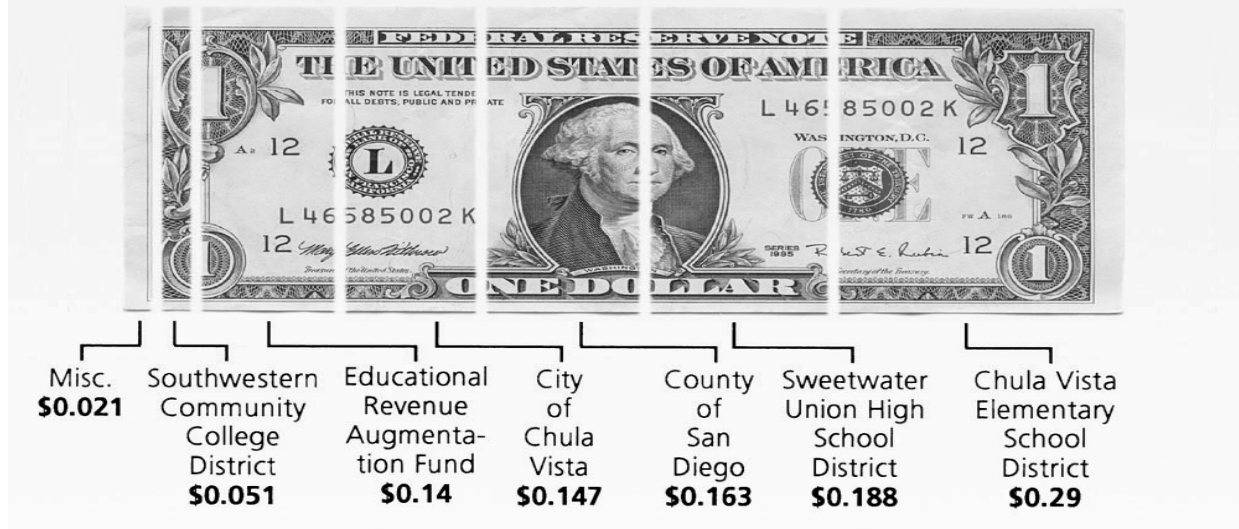
In fact, the amount the City receives is only slightly less than the amount that the City and the County lose each year to the Educational Revenue Augmentation Fund (ERAF). The ERAF is the amount the State takes from both cities and counties to provide additional funding for schools. The City's ERAF loss projected for fiscal year 2003 is \$3.7 million, for a \$27.4 million cumulative reduction since ERAF began in fiscal year 1993.

In the fiscal year 2003 budget, the amount of estimated property tax revenue will only be sufficient to fund 33% of the combined \$42.9 million budgeted for police and fire services. Unfortunately, during most years, public safety expenditures are growing faster than property tax revenues. Seven years ago, this revenue source was sufficient to cover 35% of the cost of providing public safety.

***...the amount of estimated property tax revenue will only be sufficient to fund 33% of the combined \$42.9 million budgeted for police and fire services.***



## How your property tax dollar is spent



## Motor Vehicle License Fees

**\$10,800,000**

Vehicle license fees are imposed annually by the State based on a percentage of motor vehicle market value. Prior to 1999, the fee was assessed at the rate of 2%, with Cities and Counties splitting equal shares of 81.25% of this revenue based on relative population. Since 1999, various legislative actions have decreased the fee imposed to the point where for fiscal year 2003, the rate applied is only 0.65% of vehicle market value, for an effective tax cut of 67.5 percent. Included in the same State legislation was the requirement for the State to “backfill” the revenue loss attributable to the rate reductions for Cities and Counties. To date, the City has been kept whole by the State, but how long this will continue is anyone’s guess. This revenue source increased by 11.5% and 14% during fiscal years 2000 and 2001 respectively, and is projected to grow by 8.5% for fiscal year 2002. The fiscal year 2003 budget for includes \$10.8 million in motor vehicle license fees, an increase of 8% over the current year projections.

## Other Revenue

Revenue projections are continually reviewed and updated by City staff. As described above, major general revenues (i.e., property taxes, sales taxes, franchise fees and motor vehicle license fees) are projected by the Finance Department based on prior history, growth and inflation projections, and economic climate. Other general revenues and program revenues are typically projected based on broad categories. These revenues are placed in “projection categories” based on their individual growth characteristics, and preliminary projections are made based on the category. Major projection categories include:

- Revenues affected by population growth (e.g., utility users tax, alarm permits, dog licenses, recreation fees, library fines) are estimated based on projected prior year actual revenues increased by population growth, which has been

conservatively projected by the City's Planning Department at 3% for fiscal year 2003.

- Revenues affected by salary increases (e.g., reimbursements from other City funds, deposit-based developer fees) were estimated based on projected prior year actual revenues adjusted for anticipated changes in activity levels and salary increases adopted in memorandums of understanding or other compensation-related actions.
- Revenues affected by development activities (e.g., building permits, plan check revenues) were adjusted based on Planning Department activity estimates and the projected impact of a fee adjustment adopted during fiscal year 2001.
- Revenues affected by CPI increases (e.g., transient occupancy taxes) were estimated based on projected prior year actual revenues increased by anticipated increases in the San Diego All Urban Consumer Price Index, which was estimated by the City's Finance Department at 3.5% for fiscal year 2003.
- Flat revenues are those that do not fluctuate from year to year (e.g., certain revenues from other agencies) and are budgeted at the previous years projected revenue levels.
- Other revenues (e.g., one-time revenues that are budgeted based on anticipated events, grant revenues, sporadic and cyclical revenues) are adjusted based on information supplied by departments.

Preliminary program revenues are provided to the departments along with their baseline budgets. The departments then adjust these preliminary revenues if needed based on their unique knowledge of related future events and activity levels.

The following table shows the projection for four major discretionary General Fund revenues for fiscal years 2002 through 2006.

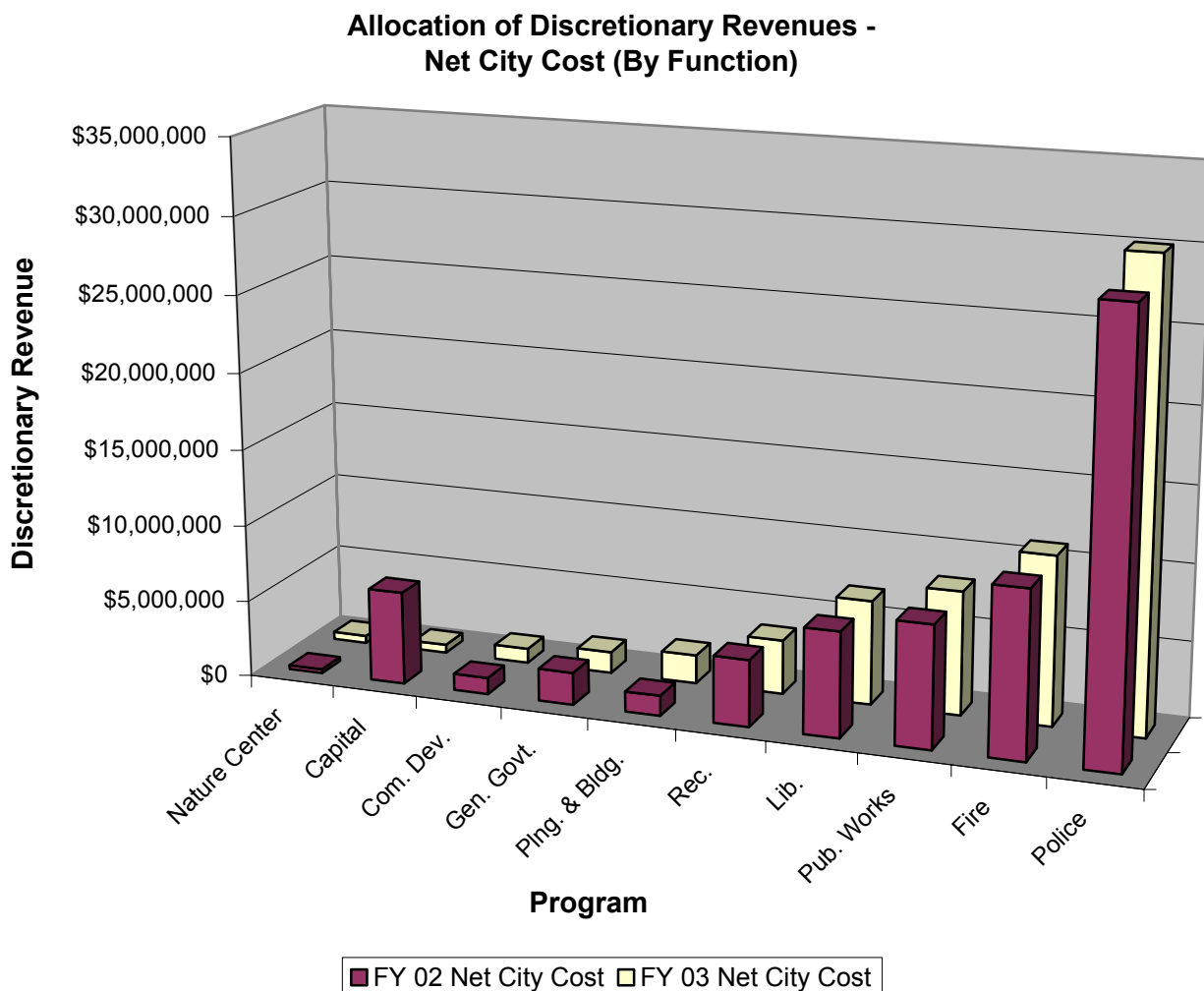
**5-Year Projection of Major General Fund Revenues  
Fiscal Years 2002 - 2006  
In Thousands (000)**

	<b>FY02 Projected</b>	<b>FY03 Estimated</b>	<b>FY04 Estimated</b>	<b>FY05 Estimated</b>	<b>FY06 Estimated</b>
Sales and Use Taxes	19,385	20,354	21,372	22,440	23,562
Property Taxes	12,887	14,154	15,406	16,826	18,389
Vehicle License Fees	10,000	10,800	11,556	12,249	12,984
Other Local Taxes	18,921	15,300	15,675	16,121	16,581
<b>Total Major General Fund Revenues</b>	<b>\$61,193</b>	<b>\$60,608</b>	<b>\$64,009</b>	<b>\$67,636</b>	<b>\$71,516</b>

## NET CITY COST

As indicated in the Fiscal Policies and Basic Assumptions section the City has begun to look at how various programs and City functions are funded and thereby determine the net cost of each program. In so doing, each program is reviewed to determine the percentage of program expenditures funded by general revenues versus program revenues. In order to accurately portray the true costs of individual programs, both indirect and direct costs are included in total program expenditures. Program revenues are broadly defined as those revenues generated by a given activity (e.g. grant revenues, charges for services, licenses, permits). General revenues, often referred to as "discretionary revenues," are broadly defined as those revenues that are generated not by any given activity, but by general or specific taxing authority such as property taxes, sales tax, and vehicle license fees.

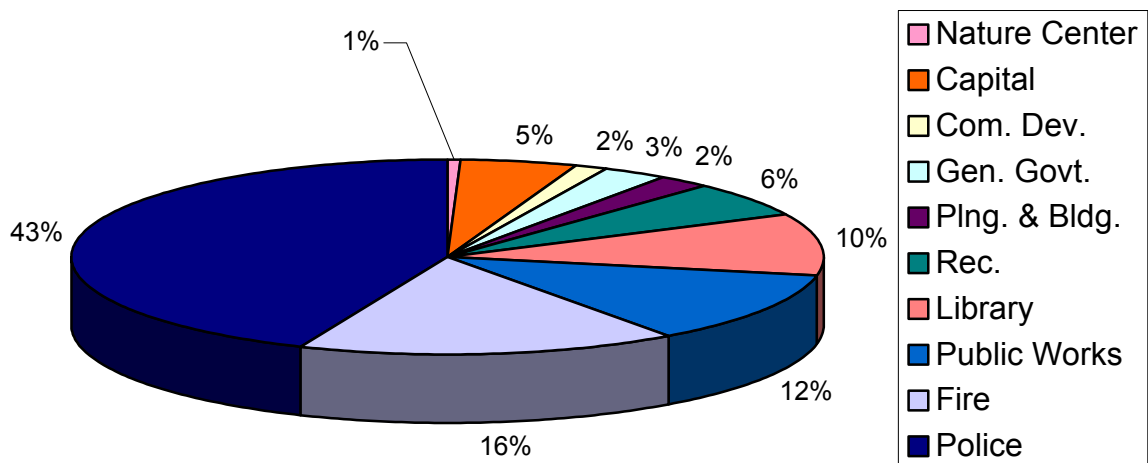
The fiscal year 2003 General Fund budget of \$109.5 million is based on funding from estimated program revenues totaling \$44.3 million. The remaining funds are discretionary revenues of \$65.2 million. The graph below shows the allocation of discretionary revenues to each of the identified programs in fiscal years 2002 and 2003.



The large spike in the allocation of discretionary revenue to capital projects during fiscal year 2002 is explained by a large one-time capital expenditure for the new police facility.

The following chart shows the average allocation of available discretionary revenues during fiscal years 2002 and 2003 for various services. During this period the vast majority (59%) of discretionary revenue was allocated to public safety services (i.e. Police and Fire). The next highest portion (17%) was allocated to leisure services (i.e. Library, Recreation and the Nature Center) followed closely by development and maintenance services (i.e. Public Works, Community Development and Planning & Building) at 16 percent. The remainder of discretionary revenue (8%) was allocated to general governmental services and capital expenditures.

**Average Distribution of Fiscal Year 2002 and 2003  
Discretionary Revenue:  
Net City Cost (By Function)**



## ACKNOWLEDGEMENT

This is the second year of our initial effort in preparing a biennial budget. Department heads and staff responded well to the earlier challenge of projecting operating expenses and program needs for the two fiscal years, making this second year effort somewhat less intense. In fact, were it not for the effects of the September 11 terrorist attacks on the already slowing economy, there likely would have been very little change required to the previously adopted, and subsequently amended spending plan.

The multi-year budget was prepared in accordance with the City Council's direction to reflect our long-term financial forecasts in estimating the City's resources and budgetary requirements. The City Council wants to know where we are, where we are going, and how we are getting there. This document continues our efforts in these areas.

I wish to recognize primarily Cheryl Fruchter, Director of Budget & Analysis, but also Bob Powell, Assistant City Manager, Maria Kachadoorian, Assistant Director of Finance, Jack Griffin, Administrative Services Manager and Catherine Burciaga, Pablo Quilantan and Edward Van Eenoo, Fiscal and Management Analysts for their excellent service and guidance in this process. I would also like to thank Patricia Laughlin, Administrative Technician and Paul Valadez, Administrative Analyst for their excellent work in refining and producing this budget document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David D. Rowlands, Jr.", written in a cursive style.

David D. Rowlands, Jr.,  
City Manager